



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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October 12, 1999

CERTIFIED RETURN RECEIPT  
P 074 976 765

Mr. Gene Webb  
North Lily Mining Company  
1800 Glenarm Place, Suite 210  
Denver, Colorado 80202

Re: Notice of Non-Compliance, North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Webb:

This letter is sent to formally notify you that your Tintic Project, Division file M/023/007, is not in compliance with certain sections of the Utah Mined Land Reclamation Act 40-8-1 et. seq. (Act) and the Minerals Reclamation Program Rules sections R647-1 through R647-5.

On September 9, 1999, Division staff and the Division of Water Quality (DWQ) staff performed an inspection of this operation. The purpose of the inspection was to assess the continued deterioration of the pond liners and the general lack of maintenance of the site. The information collected during this inspection included visual observations, photos and water quality data collected by DWQ. This inspection was a follow-up to the Division's August 18, 1999 inspection.

It appears that recycled process solutions are leaving the site through torn/punctured pond and solution conveyance channel liners. In addition, the overall deteriorated site conditions and lack of proper site maintenance may have likely contributed to offsite surface discharges of solutions and sediments. Therefore, it is the Division's position that these conditions present a significant public health and safety concern and pose a serious potential for additional environmental damage. This Notice of Non-Compliance is subsequently warranted.

**Finding of Non-Compliance**

*Violated rules:*

1. Section R647-4-107.1 Operation Practices - requires the operator to minimize hazards to the public safety and welfare. Due to the presence of dead animals noted during recent staff inspections (2 dead birds and a dead sheep), the questionable water quality of the pad effluent, and

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the insecure nature of the site (wide open gates leading to process ponds and heap), the Division feels public safety and welfare is compromised.

2. R647-4-107.2. Drainages - requires the operator to take appropriate measures to avoid or minimize environmental damage to natural drainage channels. To date, there have been a number of unauthorized releases of contaminated water leaving the process water ponds and traveling offsite through a culvert located west of the site and under State Highway 6 to adjacent undisturbed areas.

Process Ponds - Given the current deteriorated condition of the process ponds (and the volume of impounded solutions), it is doubtful that these facilities will successfully retain the amount of additional effluent/runoff that may be produced when a significant precipitation event (or spring snowmelt) occurs. We believe that the capacity and integrity of these containment facilities will be breached leading to uncontrolled discharges of solutions.

3. R647-4-107.3. Erosion Control - there is evidence of significant erosion on the heap leach pad where processed, contaminated ore has slumped blocking the solution conveyance ditches. This is causing potential environmental and heap stability problems and uncontrolled discharge of process solutions.
4. R647-4-107.4. Deleterious Materials - deleterious material (i.e. pad effluent) is potentially leaving the site by way of compromised liners both associated with the pad and the process water ponds. The presence of several opened electrical transformers on the east side of the heap leach pad raises the question of possible PCB contamination.

#### Location of Non-Compliance

The location of the site is on the east side of State Highway 6 in the NW 1/4 , Section 35, Township 10 South, Range 3 West, SLBM, Juab County, Utah.

#### Mitigation Requirements

1. Within 30 days, North Lily Mining Company must submit a detailed plan describing how the company will stabilize and maintain the site to address the findings of Non-Compliance as outlined above. A time frame for accomplishing each step of the plan to address the issues of Non-Compliance must be included.
2. The plan should include, but not be limited to addressing the following concerns:
  - ▶ Water balance calculations that estimate the amount of water currently held in the heap and ponds. A demonstration that the ponds will adequately contain all existing solutions plus any additional draindown or runoff caused by a significant rainfall event(s) and any spring snowmelt.

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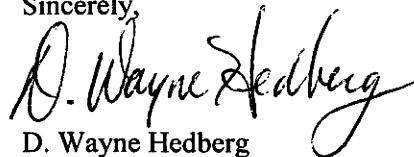
- ▶ Plans for treating and/or disposing of the process water pond solutions presently contained in the ponds. A plan for correcting the structural integrity of the pond and pad liners to allow continued use, or an alternate plan for collection, storage and treatment of these solutions.
- ▶ PCB testing for the electrical transformers and an appropriate disposal plan for same. Any residual contaminated soil material surrounding the transformers should also be removed and properly disposed of.

**Consequences of Continued Non-Compliance**

- ▶ North Lily's failure to comply with the mitigation requirements within the time frame specified in this Notice will result in issuance of a formal Notice of Agency Action. This action may require you to appear at a formal hearing before the Board of Oil, Gas and Mining. After Notice and Hearing, the Board will issue an abatement or compliance order which may require: immediate reclamation of all mining-related disturbances, and/or other lawful requirements as authorized under the Act.
- ▶ The Board may also choose to bring suit against North Lily Mining Company in a local court seeking restraining orders, injunctions, and /or the judicial assessment of appropriate civil penalties, not to exceed \$10,000 per day (per violation) for a finding of willful and knowing violation of the Act.

If you wish to contest this Notice of Non-Compliance, you may contact the Division within 10 days of your receipt of this notice to schedule a meeting before the Associate Director and appropriate members of the Minerals Program staff. Please contact Tiffini Moss, Executive Secretary, at (801) 538-5304 if you choose to arrange this meeting with the Associate Director. If you have any questions regarding this Notice you may contact me at (801) 538-5286 or Tom Munson at (801) 538-5321.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program.

jb  
Enclosure: Inspection Memo(9/9/99)  
cc: Tom Gast, EMS  
Dennis Frederick, DWQ  
Mary Ann Wright, Associate Director, DOGM  
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